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July 5, 2006

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Information Requests:

From the UWUA:

UWUA-2-3 UWUA-2-6

From the USW:

USW-1-1 USW-1-2 USW-1-13 USW-1-25

USW-1-30 USW-1-31

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Paul Osborne (DTE)
 A. John Sullivan (DTE)
 Alexander Cochis, Assistant Attorney General (4 copies)
 Charles Harak, Esq. (UWUA)
 Nicole Horberg Decter, Esq. (USW)
 Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM UWUA LOCAL 273
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

UWUA 2-3: (Exh. BSG-1, p. 16) Please provide all documents received or generated by NiSource or Bay State in connection with "the extensive investigation of IBM and other similar vendors" prior to entering into the IBM agreement. Include any and all scoring documents, evaluations or analyses of any proposals the company received. Also include any documents analyzing or addressing the capabilities or past performance of IBM.

RESPONSE: Objection. The portion of this question relating to other non-jurisdictional companies is irrelevant to this proceeding where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Moreover, the question is a fishing expedition into the affairs of non-jurisdictional companies since it requests information belonging to entities that have no demonstrated effect on Bay State service to its customers.

Notwithstanding this objection, but rather specifically maintaining it, please see the Company's response to USW-1-14, Attachment USW 1-14 CONFIDENTIAL. This CONFIDENTIAL Attachment contains the Request for Proposal for Administrative Services ("RFP") that was issued to three prospective bidders in February 2005.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SECOND SET OF INFORMATION REQUESTS FROM UWUA LOCAL 273
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President

UWUA 2-6: Please list the name and title of each person at NiSource who plays any role in the setting of staffing levels at Bay State (including any increases or decreases to those staffing levels), including a description of the precise role each individual plays. To the extent that different individuals at NiSource have played a role in setting staffing levels over time, list the names and titles and relevant dates for each such person from January 1, 2003 to date.

RESPONSE: Please see Attachment UWUA 2-6 for the requested information. See also the Company's response to UWUA 1-7, which describes Bay State's capital and operating budgeting processes, and USW 1-13, which describes Mr. Bryant and Mr. Cote's reporting chain of command and responsibilities.

It is the responsibility of Bay State's leadership to determine the levels of service necessary to meet Bay State's business needs. For example, if meter-reading performance were to drop below required SQI levels, Mr. Bryant would require the Meter to Cash leadership to take whatever action necessary (including adding staff) to rectify the situation.

In the areas under direct Bay State leadership, such as operations or regulatory affairs, it is the responsibility of the leaders of those activities (Mr. Cote and Mr. Bryant, respectively) to identify the resources necessary to achieve the required levels of service for the various business activities, and to staff them accordingly. This staffing could include a mix of permanent employees, temporary employees, contractors, or consultants, that best fits the Company's needs.

NiSource support services do not have authority to order changes in staffing levels to those areas under direct Bay State management. Any discussions on staffing level changes in the Bay State led activities would take place between senior NiSource Corporate Leadership and the business segment leaders (Mr. Bryant and Mr. Cote), and on the basis of those discussions appropriate resource levels would be identified. Should that leadership hierarchy determine that staffing level changes are necessary (either increases or decreases), then the HR support group would assist in the resultant staffing process.

NiSource Corporate Leadership determines the overall compensation and benefits strategy for the corporation and on the basis of that strategy, Human Resources implements the specific programs for those employees not covered by a Collective Bargaining Agreement. For employees covered by Collective Bargaining Agreements, the business segment leadership, Human Resources and the leadership groups of the various unions negotiate the specific compensation and benefits for each group.

NiSource / Bay State Organization 2003-2004			
SENIOR EXECUTIVE		EXECUTIVE	LEADERS
Gary Neale, Chairman (President & Chief Executive Officer)	Robert C. Skaggs, Jr. Executive Vice President)	Stephen H. Bryant (President)	
	Samuel Miller (Executive Vice President)	Danny G. Cote (General Manager)	Dana C. Argo, Sr. (Manager Systems Operations)
			Pamela A. Bellino (Manager Operations Center)
			Francis W. St Cyr (Manager Operations Center)
			Michael L. Laghetto (Manager Operations Center)
			Keith R. Dalton (Manager Engineering & Construction)
			Marie Walker (Manager Operations Service)
		Charles Edward Shafer II (VP Meter to Cash)	Lisa Ann Carmean (Manager Meter Reading & Collections)
			Peter M. Klipa (Director Revenue Recovery)
			Vicki L. Smith (Manager Bill Exception Management)
		Violet Sistovar (VP Customer Contact Centers)	Patricia M. Teague (Manager Customer Contact Center)

NiSource / Bay State Organization 2005-2006			
SENIOR EXECUTIVE		EXECUTIVE	LEADERS
Robert C. Skaggs, Jr. (President & CEO, NiSource)	Kathleen O'Leary (Senior VP Energy Distribution & Regulated Revenue)	Stephen H. Bryant (President)	
	William H. Marple (Senior VP Distribution Operations)	Danny G. Cote (General Manager Distribution Operations East)	Dana C. Argo, Sr. (Manager Systems Operations)
			Pamela A. Bellino (Manager Operations Center)
			Francis W. St Cyr (Manager Operations Center)
			Michael L. Laghetto (Manager Operations Center)
		Shawn L. Patterson (VP Engineering)	Keith R. Dalton (Manager Engineering & Construction)
		Peggy Landini (VP Support Operations)	Marie Walker (Manager Operations Service)
	Violet Sistovaris (Senior VP NI Administration Services)	Michael J. Davidson (Director Customer Contact Centers)	Patricia M. Teague (Manager Customer Contact Center)
		Charles Edward Shafer II (VP Meter to Cash)	Lisa Ann Carmean (Manager Meter Reading & Collections)
			Peter M. Klipa (Director Revenue Recovery)
			Vicki L. Smith (Manager Bill Exception Management)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

USW 1-1: From June 1, 2005 to date, identify every affiliate of NiSource that has outsourced call center, credit, collections, billing, or any other functions under the June 2005 Agreement between NiSource Corporate Services Company ("NCSC") and IBM. Additionally, for each outsourced function at each affiliate, provide the date that outsourcing was actually implemented.

RESPONSE: Objection. The question seeks information irrelevant to this proceeding where Bay State's service quality for its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Activities of other regulated distribution companies are not in issue in this proceeding.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

USW 1-2: For each of the affiliates identified in response to USW 1-1, provide all documents within the possession, custody, or control of NiSource or its affiliates regarding or related to the quality of services provided by IBM (and/or associated vendors) in performing "customer facing" functions since July 1, 2005. This request includes, but is not limited to, internal memoranda, e-mails, and reports addressing the performance of IBM and/or second-tier vendors associated with IBM—e.g., Vertek, to date and any customer complaints regarding customer service.

RESPONSE: Objection. The question seeks information irrelevant to this proceeding where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Moreover, the question is a fishing expedition into the affairs of non-jurisdictional companies since it requests "internal memoranda, e-mails and reports" belonging to entities that have no demonstrated effect on Bay State service.

Notwithstanding this objection, but rather specifically maintaining it, NCSC monitors IBM's and Vertex' performance through two measurements, (i) Service Level Agreements (SLA) and (ii) utilization of Resource Units (RU). Service Levels relate to the quality of IBM's performance and Resource Units track the quantity of work performed by IBM.

SLAs and RUs for "customer facing" functions are provided in Attachment USW 1-23 CONFIDENTIAL.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President

USW 1-13: For each of the following individuals listed in BSG President Bryant's direct testimony (DTE 06-31), provide his or her current official title at NiSource and explain the role and authority each has in making decisions regarding BSG staffing levels for each of its departments and the outsourcing of customer facing functions at BSG.

1. Bob Skaggs
2. Mike O'Donnell
3. Kathleen O'Leary
4. Harris Marple
5. Dave Vajda
6. Jeff Grossman
7. Gary Pottorff

RESPONSE: Please see Table USW 1-13, below, for the requested information. Mr. Bryant and General Manager Danny Cote have primary responsibility for determining staffing levels for each of Bay State's respective departments, while being held accountable by their respective supervisors. Mr. Bryant and Mr. Cote are also primarily responsible for determining whether customer-facing functions are outsourced.

Mr. Bryant reports directly to Ms. O'Leary and Ms. O'Leary in turn reports directly to Mr. Skaggs. Mr. Cote reports directly to Mr. Marple and Mr. Marple in turn reports directly to Mr. Skaggs.

As provided in the Company's response to UWUA 1-7, Bay State's capital and operations budgeting processes, including staffing level decisions, are dynamic, and involve the input from a variety of both Bay State and NCSC employees. In the end, however, it is Mr. Bryant's and Mr. Cote's responsibility to ensure that Bay State delivers safe and reliable service, while maximizing system-wide efficiencies and maintaining service quality.

Please also see Bay State's responses to UWUA 2-6, USW 1-16 and USW 1-18 for additional information.

TABLE USW 1-13

Employee Name	Title	Employer
Bob Skaggs	President and Chief Executive Officer, NiSource	NCSC
Mike O'Donnell	Executive Vice President and Chief Financial Officer	NCSC
Kathleen O'Leary	Senior Vice President, Energy Distribution and Regulated Revenue	NCSC
Harris Marple	Senior VP, Distribution Operations	NCSC
Dave Vajda	VP and Treasurer	NCSC
Jeff Grossman	VP and Controller	NCSC
Gary Pottorff	VP Admin & Corp Secretary	NCSC

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

USW 1-25: To date, provide all documents regarding or relating to the means BSG, NiSource, and/or NCSC use to monitor functions outsourced to IBM and/or its second tier vendors to ensure that IBM maintains and/or improves upon service quality standards under the IBM-NiSource Agreement.

RESPONSE: Objection. The question is irrelevant to this proceeding where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Moreover, the question is a fishing expedition into the affairs of non-jurisdictional companies since it requests information belonging to entities that have no demonstrated effect on Bay State service to its customers. Finally, some functions under the Agreement are non-core functions and have no impact on service quality and are thus irrelevant to this proceeding.

Notwithstanding this objection, but rather specifically maintaining it, Bay State would state that it is currently investigating whether it has materials that may be responsive to the request.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President

USW 1-30: From June 1, 2005 to date, provide the total number of hours and the cost of overtime performed at the Springfield Call Center, aggregated by month. For the same time period, provide all documents consulted, informing, relating to or regarding the use of overtime to fill positions at the Springfield Call Center.

RESPONSE: Bay State is still researching this request and will supplement this response when the information has been compiled.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: July 5, 2006

Responsible: Stephen H. Bryant, President

USW 1-31: For duration of the June 2005 NCSC-IBM Agreement, provide the projected per annum cost savings that BSG/NiSource is projected to reap as a result of adopting the IBM-NiSource Agreement and outsourcing the Springfield Call Center.

RESPONSE: NCSC, on behalf of NiSource, discussed and outlined the projected savings in the NiSource Inc. SEC Form 8-K filing, dated June 20, 2005 ("Form 8-K Filing"). The Form 8-K Filing included Exhibit 99.1 (Press Release, dated June 20, 2005, issued by NiSource Inc.) and Exhibit 99.2 (10-Year Projection of Estimated Costs and Potential Savings). The Form 8-K Filing is contained here as Attachment USW 1-31.

The cost/benefit analysis results calculated by NCSC are dependent on several factors, including NCSC demand of services and consumption rates of those services. The cost/benefit analysis represents undiscounted cash flows. The IBM-NiSource Agreement provides for annual inflationary increases in fixed and variable fees, driven by changes in the Consumer's Price Index that is not reflected in the projected savings. The projected savings will alter based on increased/decreased scope of the services provided, incorrect assumptions made by IBM or by NCSC, and, but not limited to, increased and decreased consumption (compared with that estimated) of services by the individual operating companies. Individual operating companies affected by the outsourcing agreement may experience higher costs due to previous treatment or methods of allocations of indirect costs versus IBM's ability to capture actual consumption by and the corresponding direct costs to the operating company.

NCSC projected savings for NiSource on the attached documents based upon the complete 10 years of the IBM-NiSource Agreement and individual operating company analyses were not part of the analysis.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): June 20, 2005

NISOURCE INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

001-16189
(Commission File
Number)

35-2108964
(IRS Employer
Identification No.)

801 East 86th Avenue,
Merrillville, Indiana 46410
(877) 647-5990
(Address and Telephone Number
of Principal Executive Offices)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On June 20, 2005, NiSource Corporate Services Company ("NCSC"), a direct subsidiary of NiSource Inc. (the "Company"), entered into an Agreement For Business Process And Support Services ("Outsourcing Agreement") with International Business Machines Corporation ("IBM"). Under the Outsourcing Agreement, IBM has agreed to provide certain services to the Company and its subsidiaries, which services are currently performed by NCSC.

As part of the Outsourcing Agreement, IBM will operate a broad range of business support functions for NCSC, including processes within the human resources, finance and accounting, supply chain (procurement), customer contact, meter-to-cash (billing and collections) and information technology areas. The Outsourcing Agreement has an initial term of ten years and NCSC has the right to renew it for up to three additional one-year periods. As a result of the Outsourcing Agreement, 572 employees of the Company and its subsidiaries are expected to become employees of IBM or its subcontractors. Another 445 positions will be eliminated by the Company and its subsidiaries by Dec. 31, 2006, throughout the regions in which it operates as work is moved to IBM.

NCSC will pay IBM for the services under a combination of fixed and variable charges, with the variable charges fluctuating based on the Company's actual need for such services. Based on the currently projected usage of these services, the Company expects to pay \$1.6 billion to IBM in service fees and project costs over the initial ten-year term.

The Company expects that over the initial ten-year term the Outsourcing Agreement will deliver upwards of \$530 million in gross operating and capital cost savings across the Company's 15 primary operating subsidiaries, as well as provide technology advances and enhanced service capabilities. However, the net savings to the Company from the Outsourcing Agreement will be impacted by certain costs it will incur to obtain these gross savings. These costs fall into three categories. First, the Company will incur severance related costs associated with the elimination of the positions described above of approximately \$35 million. In addition, NiSource will record approximately \$21 million in one-time, non-cash pension expense related to severed employees and employees who accept positions with IBM. Second, the Company expects to pay approximately \$35 million in transition costs during 2005 and 2006 to transfer these functional areas to IBM. Third, the Company expects to incur \$50 million in governance costs over the 10-year life of the Outsourcing Agreement. Attached as Exhibit 99.2 to this report is a more detailed projection of the potential savings to NiSource under the Outsourcing Agreement.

To protect the Company's expectations regarding IBM's performance, the Outsourcing Agreement has performance standards and minimum services levels that IBM must meet or exceed. If IBM fails to meet a given performance standard, NiSource would, in certain circumstances, receive a credit against the charges otherwise due.

To assure that the charges under the Outsourcing Agreement do not become significantly higher than the market rate for such services, the Company has the right to periodically perform benchmark studies to determine whether IBM's price and performance are consistent with the then current market. The Company has the right to conduct such benchmark studies, at its cost, beginning in the fourth year of the Outsourcing Agreement.

Under the Outsourcing Agreement, the Company retains the right to terminate the Agreement both for cause and for its convenience. However, upon any termination of the Agreement by the Company for any reason (other than for material breach by IBM), the Company will be required to pay a termination charge to IBM, which charge may be material.

The Company will file a copy of the Outsourcing Agreement as an exhibit to its Quarterly Report on Form 10-Q for the quarter ending on June 30, 2005.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated June 20, 2005, issued by NiSource Inc.
99.2	10-Year Projection of Estimated Costs and Potential Savings

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NiSource Inc.

(Registrant)

Date: June 24, 2005

By: /s/ Jeffrey W. Grossman

Jeffrey W. Grossman
Vice President and Controller

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release, dated June 20, 2005, issued by NiSource Inc.
99.2	10-Year Projection of Estimated Costs and Potential Savings

NEWS

Exhibit 99.1



801 E. 86th Avenue
Merrillville, IN 46410

FOR IMMEDIATE RELEASE

June 21, 2005

FOR MORE INFORMATION

News Media

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NiSource and IBM sign agreement to transform key business process and technology functions

MERRILLVILLE, IN and ARMONK, NY – NiSource Inc. (NYSE: NI) and IBM (NYSE: IBM) today announced that they have reached a definitive agreement for IBM to provide a broad range of business transformation and outsourcing services to NiSource. IBM will begin service delivery on July 1, 2005.

The 10-year agreement is estimated to be worth \$1.6 billion to IBM in service fees and project costs and is expected to deliver upwards of \$530 million in operating and capital cost savings across NiSource's 15 primary operating subsidiaries over the course of the contract, as well as provide technology advances and enhanced service capabilities.

NiSource's cost to achieve will include \$35 million in one-time severance expenses and \$35 million in transition costs. In addition, NiSource expects to incur approximately \$50 million in governance costs over the 10-year life of the contract. Charges for NiSource's cost to achieve are expected to be reported largely in 2005 and, to a lesser extent, in 2006. In addition, NiSource will report a \$21 million one-time, non-cash pension expense related to severed employees and employees who accept positions with IBM.

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**NiSource and IBM sign agreement
to transform key business process and technology functions
Page 2**

“This agreement will enable NiSource to transform its business to further focus on core strengths of providing safe, reliable utility and pipeline services to our customers,” said Gary L. Neale, NiSource chairman and chief executive officer. “In addition, this agreement will enable us to access new technology and service capabilities for our company and state-of-the-art service for our customers, and re-deploy capital toward growth opportunities. Working with IBM will help us achieve our goals of delivering basic support activities while freeing us to focus on our strategic business priorities.”

“IBM will work with NiSource to apply business insight, technology expertise and global delivery capabilities to optimize business performance and create long-term economic benefits,” said Maureen Sweeny, vice president of Business Transformation Outsourcing at IBM. “In this manner, this relationship is a strong example of the type of new partnerships and on-demand business value IBM is targeting in the marketplace for Business Performance Transformation Services.”

As part of this agreement, IBM will operate a broad range of business support functions for NiSource, including processes within the human resources, finance and accounting, supply chain (procurement), customer contact, meter-to-cash (billing and collections) and information technology areas. The agreement also includes a broad array of transformational consulting services and emerging technology expertise, as well as a unique approach to governance between the two companies to rapidly drive value across a multi-process business transformation outsourcing solution. In addition, NiSource and IBM are committed to continuous improvement of levels of customer service, business efficiency and functional integration at NiSource.

Under terms of the agreement, 572 employees of NiSource are expected to become employees of IBM or its subcontractors. Another 445 positions will be eliminated by NiSource by Dec. 31, 2006, throughout the regions in which it operates as work is moved to IBM.

This long-term relationship with IBM is a key component of NiSource’s four-part plan to establish a platform for long-term, sustainable growth. NiSource is focused in 2005 on pursuing growth opportunities in its extensive natural gas pipeline and storage system, implementing regulatory and commercial initiatives in its distribution business, continuing to strengthen its balance sheet through prudent financial management, and identifying innovative ways to manage overall costs and free up additional capital for investment in its core gas and electric operations.

-more-

**NiSource and IBM sign agreement
to transform key business process and technology functions
Page 3**

About NiSource

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.7 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at www.nisource.com.

About IBM Business Consulting Services

With consultants and professional staff in more than 160 countries globally, IBM Business Consulting Services is the world's largest consulting services organization. IBM Business Consulting Services provides clients with business transformation and industry expertise, and the ability to translate that expertise into integrated, responsive, on-demand business solutions and services that deliver bottom-line business value. Over the past several years, IBM Business Consulting Services has developed industry-leading transformation consulting skills and delivery capabilities in key areas, including Human Resources, Financial Management, Customer Relationship Management and Procurement. For more information, visit www.ibm.com.

Forward-Looking Statements

This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements include statements regarding the intent, belief or current expectations of NiSource Inc. and IBM and their respective managements. Although NiSource and IBM believe that their expectations are based on reasonable assumptions, they can give no assurance that their goals will be achieved. Readers are cautioned that the forward-looking statements in this press release are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause NiSource's actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: weather; fluctuations in supply and demand for energy commodities; growth opportunities for NiSource's businesses; increased competition in deregulated energy markets; the success of regulatory and commercial initiatives; dealings with third parties over whom NiSource has no control; the scope, timing and effectiveness of NiSource's execution under the outsourcing agreement; actual operating experience of NiSource assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk. Except for the historical information and discussions contained herein about IBM, statements contained in this release may constitute forward-looking statements about IBM within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed in the company's filings with the U.S. Securities and Exchange Commission (SEC).

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10-Year Projection of Estimated Costs And Potential Savings ¹



\$ expressed in MM

Projected NiSource Base Costs (w/o Outsourcing)		10-Year Projection
NiSource Base Case O&M Cost		3,125.7
NiSource IT Capital Spend		275.0
Total Cost to Deliver Services		<u>3,400.7</u>
		Total
Future Cost to Deliver Services (w/ Outsourcing)		
IBM Core Fees ²		1,572.0
NiSource Projected Retained Costs		
Salary & Related		907.5
Outside Services		104.8
Employee Expenses		29.6
Facilities, Telecom & Other		182.4
NiSource Additional Retained Costs (Salary & Related)		71.6
Subtotal Projected Retained O&M Expenses		<u>1,295.9</u>
NiSource Additional Retained Costs (Capital)		0.0
Subtotal Projected Future Cost to Deliver Services		<u>2,867.9</u>
Core Savings	532.8	
NiSource Projected Costs To Achieve		
IBM Transition Fees		35.7
Estimated Severance Costs		35.3
Estimated Governance Costs		50.0
Estimated Sales Taxes		11.4
Estimated Project Costs		4.5
Total Future Cost to Deliver Services		<u>3,004.9</u>
Net Core Savings	395.8	

¹ The figures set forth in this chart are projections for a ten-year period. Therefore, the figures are subject to a material risk of variation.

² IBM's fees are only partially fixed and could vary materially over the term depending on NiSource's actual usage of the proposed services.

End of Filing

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